



Testimony of Charles W. Connors

Chief Executive Officer

Magneco/Metrel

To

The International Trade Commission

Regarding

The Impact of Steel Section 201 Relief on U. S. Manufacturing

Magneco/Metrel is a \$40,000,000 family business located in Addison, Illinois, with manufacturing facilities in Northern Indiana and Eastern Ohio. As a producer of refractories that are used in steelmaking furnaces, we are both a steel industry supplier and a customer. My company has 145 employees, and we also provide health care and other benefits to more than 330 people, including employee dependents.

Magneco/Metrel is a 22 year old company. We are marketing and technology driven, holding 30 patents covering unique refractory materials and methods of installing them. Magneco/Metrel technology has been a significant contribution to technological improvements which were first adopted by the American iron and steel industry.

We purchase approximately \$300,000 of steel molds annually, with more than half of the total value coming from Lake County, Indiana. Over the past 12 years, we have spent approximately \$6,000,000 (or \$500,000 per year) on equipment for use with our products. The equipment includes mixers, pumps, gunning machines, backhoes and fork trucks. We maintain a fleet of 30 small cars, small trucks and medium size trucks, as well as four semi trucks with trailers. All of this equipment is manufactured in the United States. In total, Magneco/Metrel has approximately 300 suppliers, the vast majority of which are small businesses.

Roughly 85 percent of our sales are to the iron and steel industry. These sales help support Magneco/Metrel efforts to supply the other 15 percent of our sales, which go to various high temperature processing industries – glass, ceramics, waste incinerators, power and foundries. In addition, approximately 30 percent of Magneco/Metrel's 2003 sales will be exported, divided equally between Europe and Latin America, with our biggest customer being Mexico. These sales are all of unique and proprietary (often patented) products, which have been developed and proven in world class iron and steel plants in the United States. Without healthy competitive U. S. iron and steel plants, we would have no export sales.

Magneco/Metrel had grown to a level of sales of \$38,200,000 for the calendar year 2000. With the devastation caused to our steel market from illegal dumped steel, our sales dropped to \$33,900,000 in 2001. With the Rule 201 tariffs and the beginning of stabilization in the steel industry, our sales in 2002 were \$39,500,000. With the continuation of the Rule 201 and the further stabilization of the steel industry, we expect our sales to be approximately \$45,000,000 in 2003 and \$50,000,000 in 2004. The increases in sales are due to the use of our unique products in utilizing existing steelmaking equipment in an extremely economical and efficient way.

The drop in sales in 2001 caused an operating loss for that year. In addition, dozens of bankruptcies in the American steel industry caused by record levels of steel imports sold in violation of international trade rules and U. S. laws caused my company to lose \$2,300,000 over the past three years, based on receivables that are in either Chapter 11 or Chapter 7. For the months of January and February of 2002, my company had a further net income loss of approximately \$300,000. Between the first of March and the end of June, we had net income of approximately \$500,000. However, one more month such as February, and Magneco/Metrel would have been out of business, like so many other domestic steel industry suppliers over the past three years.

What I have told you so far today seems like a happy story; however, it is a story which is less than half over. Without a continuation of the Rule 201 remedy for the entire three years that was originally planned, there will be more bankruptcies of iron and steel companies and coincidentally more losses to Magneco/Metrel. More

bankruptcies and more losses in a fragile situation that is just beginning to come together will cause an extremely dangerous situation for my business and thousands of other businesses like mine across America.

Please reaffirm your thoughtful recommendations which our President relied upon so that he may rely upon your advice again and stay the full three-year course.